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DEPT FOR ISN/CPI KEVIN MCGEEHAN
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E.O. 12958: DECL: 2019/12/14
TAGS: [EFIN](#) [ETTC](#) [KNNP](#) [IR](#) [PINR](#) [PARM](#) [PREL](#) [UG](#)
SUBJECT: UGANDA: EDBI DEMARCHE RESPONSE

REF: STATE 120453

CLASSIFIED BY: Aaron Sampson, Pol/Econ Chief, State, Pol/Econ;
REASON: 1.4(B), (D)

11. (S) PolOff delivered reftel demarche to Ministry of Foreign Affairs' Multilateral Affairs Officer, Isaac Sebulime, on December 11. Sebulime stated that MIDSOC Bank Uganda Ltd. (MIDSOC) is the start-up venture of a former Deputy Governor of the Bank of Uganda. Sebulime said that the former Deputy Governor and his business partner, also a former Bank of Uganda employee, had tried unsuccessfully to obtain start-up capital from the Organization of the Islamic Conference (OIC), and are now seeking funding from the Export Development Bank of Iran (EDBI).

12. (S) Sebulime said the Ministry of Foreign Affairs did not find EDBI on any sanctions lists and cleared MIDSOC's plan to obtain what Sebulime described as a loan from EDBI. He said the Bank of Uganda has yet to approve MIDSOC's request, and that MIDSOC has not yet received any funds from EDBI. Sebulime added that the "Islamic banking format" is new to Uganda and that the Bank of Uganda may have difficulty applying Ugandan banking regulations to MIDSOC's loan application. PolOff noted that UNSCR 1803 calls for vigilance in dealing with all Iranian financial institutions and that both due to Iran's proliferation activities and because Iran's financial institutions lack money laundering and terrorism finance controls Uganda should avoid EDBI financing.

13. (S) On December 9, EconOff raised this issue with the Bank of Uganda's (BOU) Deputy Director of Financial Markets, Stephen Kaboyo. Kaboyo was unaware of any license application by MIDSOC Bank Uganda Ltd., but said the BOU rigorously screens new entities and that he will investigate the matter further. We will report any additional information septel.
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